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PROGRAM AID NO. 1026 / FARMER COOPERATIVE SERVICE / U.S. DEPARTMENT OF AGRICULTURE

AMERICAN CRAFTS

a rich
heritage
and a
rich
future



Preface

Thousands of rural American craft producers are having difficulty gaining favorable economic returns for their work because of a poor marketing system. To overcome this crucial problem, many craftsmen have turned for assistance to cooperatives, guilds, or informal associations. Many of these craft groups are small and business volume inadequate to cover overhead costs necessary to develop and maintain an orderly marketing system.

This publication shows craftsmen how to use cooperatives to organize a profitable craft marketing system. It discusses the merits of local craft cooperatives forming regional federated associations as vehicles for marketing and technical assistance.

Another publication helpful to craftsmen interested in forming a cooperative is "The Cooperative Approach to Crafts," U.S. Department of Agriculture, Program Aid No. 1001. From it, craftsmen can learn how craft cooperatives operate, why and how craft cooperatives succeed, and the major steps in forming such cooperatives.

More details on background of American crafts can be found in the publication "Encouraging American Craftsmen" for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402—Stock Number 3600-0010—price 45 cents.

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American Crafts: A Rich Heritage and A Rich Future

By William R. Seymour
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In early American communities, the spindle, wood-carving, and the loom were as much a part of the colonial way of life as were the handhewn plow and the village meeting house. Crafts remind us of how American democracy began and developed from the light and warmth of the pioneer home hearth fire.

The craft industry of today, however, is important for reasons other than as a surviving expression of our heritage. Demand for hand-made items is increasing as people travel more and recognize the cultural value of crafts. The evolving craft industry has an opportune time to grow and to play an important role in strengthening and revitalizing the economy of rural America.

Adding economic stability to the craft industry can mean preserving and broadening our cultural resources. Encouraging rural crafts and their supporting institutions can lead to a new awareness and appreciation of rural culture. Rural people can realize increased income and perhaps feel a greater sense of accomplishment of the nature that only arts and crafts can give.

People who work with crafts agree that considerable potential for growth exists. Successful designer-craftsmen are unable to keep up with orders. Many stores are having difficulty locating an assured supply of quality products to meet their demands. Shops in the

National Parks, State Park, museums, airports, and speciality stores are also looking for quantities of quality crafts.

As programs are designed for rural areas, planners must take into account the stage of development of rural people and to what they relate. Because the craft industry is one area that fills these needs, many Federal agencies are using crafts as an enterprise for rural development. For example, the Office of Economic Opportunity has supplied grants totaling an estimated \$12 million for craft development. Farmers Home Administration, U.S. Department of Agriculture, has lent about \$300,000 to craft associations and made a substantial number of loans to individual craft producers to purchase equipment and materials.

Other agencies helping with rural development through crafts are Extension Service and Farmer Cooperative Service, U.S. Department of Agriculture; Economic Development Administration, U.S. Department of Commerce; the U.S. Departments of Interior; Labor; and Health, Education and Welfare.

More than 37,000 people belong to organized craft associations in six rural areas — American Indian Reservations; Alaska (Eskimos, Aleuts, and Indians); Appalachia; New England; Ozarks; and the black South. Most of the associations are in marginal rural areas that have a strong cultural heritage in crafts. In addition there are many thousands of people who produce crafts as hobbies, urban craft producers, and those not affiliated with an association.

Present Marketing Practices

The variety and complexity of present channels of craft distribution make it difficult to accurately de-

scribe in traditional marketing terms. With the complex set of demands for crafts and the variety of firms

and individuals involved, there are now seven major channels of distribution (Fig. 1). These are:

A. *Direct*—Direct sales of crafts by producer to consumer generally take place at roadside stands, in local shops, by mail order, and at craft fairs. This channel is the most predominant in rural areas. It is also being used by urban craftsmen to develop their markets.

B. *Retailers*—Many retailers such as museum shops, souvenir shops, and speciality shops get their merchandise directly from craftsmen or through assemblers. In some instances the initiative is taken by the retailer; in others, by the craftsman. However, few retailers have been able to build a business by waiting for craftsmen to come to them.

C. *Wholesalers or agents*—A few established wholesalers and/or agents whose principal products are gift wares, hardware, or clothing, carry crafts as a part of their line. Few make a concerted effort to sell craft items. For most it is a marginal business. Their methods of purchasing crafts vary greatly, from buying directly from craftsmen to purchases from assemblers or traders. They often use the individual producer as the warehouser and usually do not carry an inventory.

D. *Assemblers*—Assembler is a term applied to the major operators in the present marketing system — craft councils, guilds, cooperatives, or informal associations. These groups are formed and governed by the craftsmen. Such groups collect crafts in their local warehouse by buying from members or on consignment. In a limited way, they work with producers on product design and quality, supply materials, send out special orders, offer skill training, and provide limited capital.

E. *Traders*—Individuals in some business unrelated to crafts who trade their own merchandise or serv-

ices for crafts are known as traders. Such individuals are predominant among Indians and Eskimos.

F. *Buying agents*—In a few areas, a buying agent acts on behalf of wholesalers or retailers. He buys from the craftsmen, packs, and ships to his principal for a commission. This channel is similar to assemblers except the buying agent is not controlled by craftsmen.

G. *Labor-buyers*—The labor-buyer may be an assembler or a profit motivated manufacturer. He supplies materials and designs to craftsmen and pays them only for the man-hours involved. This arrangement is much like a medieval cottage industry except that the labor-buyer's control over production is limited.

Fragmentation of the craft marketing system places craftsmen at a disadvantage in obtaining market information. With many groups of isolated craft producers operating independently, determining what items buyers want and a fair price is difficult.

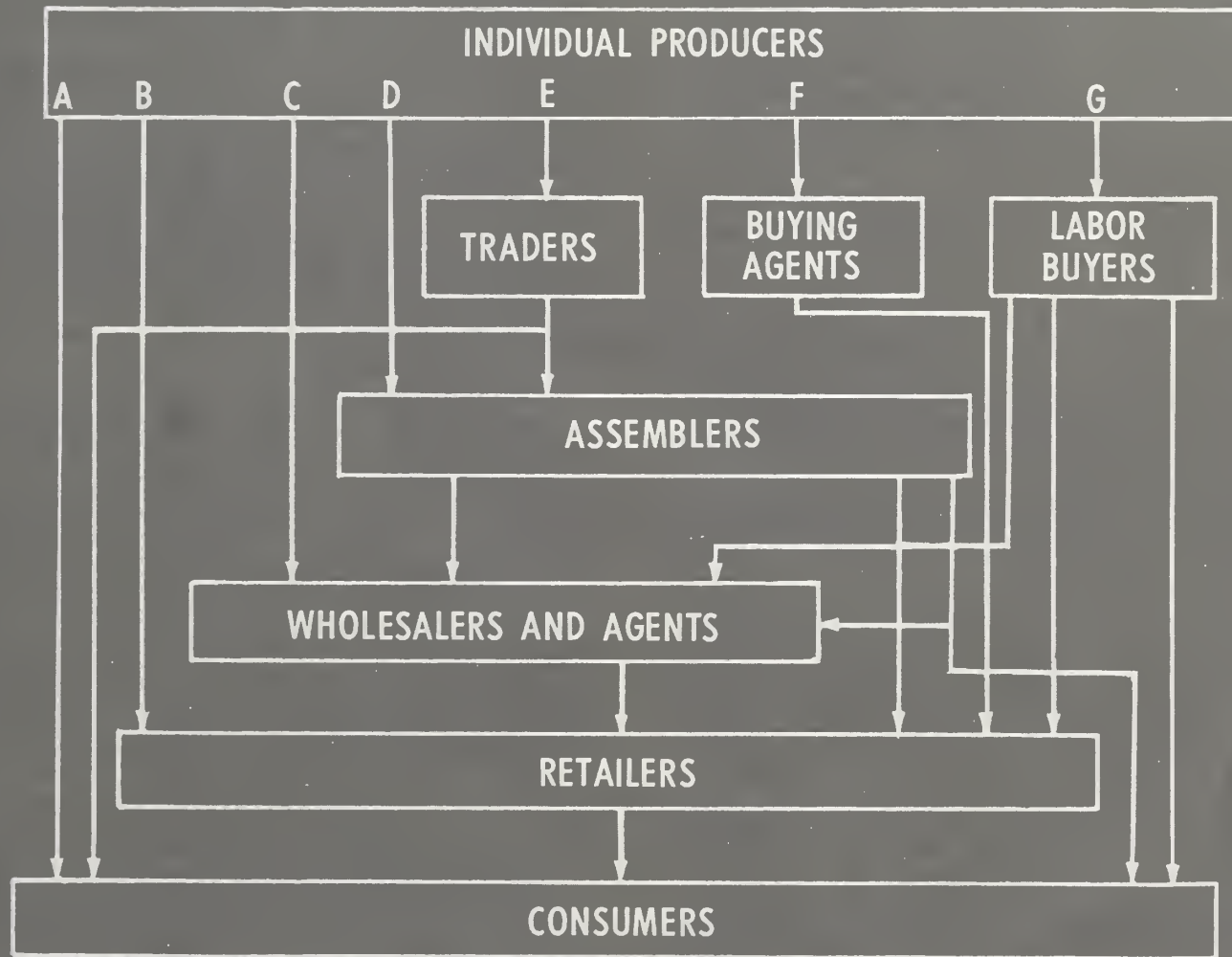
Prices vary with different organizations because producers determine the price in a variety of ways — cost plus markup, similar product comparison, or guesswork.

Traditionally, craftsmen have produced items without regard to the market, but to earn an acceptable wage today's craftsmen must aim for the gift market. They cannot economically compete in the souvenir market with the mass-produced foreign reproductions.

Data collected from cooperatives that have supplied some degree of technical and marketing assistance to their members indicate woodcraftsmen are grossing \$6 an hour or more. Potters, sculptors, and glass craftsmen, although earning somewhat less than woodcraftsmen, are earning more than is possible in other industries in their areas.

Producers of soft goods — weaving and sewing — are still having difficulty making an adequate income.

Fig. 1--Major Channels of Craft Distribution



Through new designs, improved production techniques, and better marketing methods, many are now earning \$1.20 to \$2 an hour compared with 30 to 50 cents an hour before they received assistance.

Many craftsmen do not live in areas that attract large numbers of buyers, thus their direct sales volume is limited. Publishing catalogs for mail-order sales and promoting craft fairs require large capital expenditures that most craftsmen do not have. In direct sales marketing, craftsmen must spend a considerable amount of time in sales efforts that could be used to greater advantage in producing.

Some attempts have been made to aggressively expand assemblers' roles in marketing, but it has been difficult because of uncertain local markets, poor man-

agement, capital limitations, and lack of quality control. In some instances these groups have helped strengthen their positions through marketing contracts. Usually any savings is returned to members. While this approach has definite limitations, it is one of the most effective marketing methods developed thus far.

While the broad base of production capability exists for a centralized craft industry, the capability is weak because local efforts cannot fulfill all the needs. There have been few coordinated approaches in market testing or material purchases. Even the most successful local craft group reaches its limits in design, training, and production once the basic and essential organization and training job is completed.

Elements of Successful Marketing

An effective craft marketing system begins with knowing what products buyers want. Craftsmen then are trained to turn out quality products economically to meet these demands.

Management is responsible for coordinating production and marketing. Therefore, business skills and creative skills must be developed at the same time. Some type of organization is necessary.

Cooperative structure is ideal for supporting creative skills that are exercised individually. Successful craft production and marketing consists of a number of essential factors, all of which are joint needs that can be fulfilled by cooperative effort.

These factors include:

1. **Market research and development** to identify buyers and their buying habits, explore new markets, and provide base data for future planning.

2. **Design assistance** for craftsmen to develop products that will have greater buyer appeal.

3. **Production training** to help craftsmen develop techniques that will lower cost and yet maintain or raise quality.

4. **Business structure** that places ownership, control, and benefits in the hands of craft members, yet provides the expertise to market products profitably.

Supplying technical assistance by local or regional cooperatives is not unique in the craft industry. However, there seems to be a greater need for this type of assistance in a craft enterprise than in other types of business ventures. Because crafts are an individual expression, training initially and continuously, coupled with design flexibility, is necessary for an effective program.

Market Research and Development

Market research and development are essential in any well-run business, and especially to develop a sound craft marketing program. At the present time,

craftsmen often produce a product before determining demand.

Craft cooperatives need to obtain basic information about demand, price-cost competition, and general marketing practices. This knowledge will guide development of a workable craft marketing program.

Buyer Motivation

An important area of market research is buyer motivation at the retail level. This could be initiated by a federated craft cooperative with assistance from Federal and private resources.

An interview approach geared to reflect customer attitudes, resistances, and desires to select craft items currently being produced might be used. By listening, holding discussions, and using probing techniques, interviewers can determine buyers' opinions concerning:

- Design and quality
- Retail pricing
- Product-mix (the ability of crafts to compete with similar products of different origin)
- New crafts needed

This data then can be used to develop new products, modify existing craft lines to make them more marketable, and select items for more extensive market testing.

Second phase of the research would involve crafts being tested in a variety of retail markets. It should use actual selling conditions at prices that assure reasonable return to both producers and retailers.

Desired second-phase data include:

- Sales volume and inventory turnover
- Retailing cost in both fixed and variable areas
- Capital requirements
- Sales volume response to:
 - Change in prices

- Advertising
- Display
- Location of retail outlets
- Competition with mass-produced items, new crafts, and out-of-region crafts
- Market projections for craft items in:
 - Short-term for immediate production guides
 - Long-term for general direction
- Product mix (products that sell best together):
 - Artifacts
 - Souvenirs
 - Imitations
 - Adaptations
 - Functional

Established shops most likely will cooperate in market testing since they have as much to gain from findings as producers.

It has often been stated that the high rate of failure for new products (8 out of 10) could be materially reduced if time and money used in market testing were equal to resources used in developing the product itself. This is especially true in the craft industry. All new products should be market tested.

Research Market Outlets

Past experience shows that the long-lasting future for craft sales depends on better-quality outlets in middle and higher-income sectors of urban and suburban communities and tourist areas that attract people of similar levels. In addition those who purchase crafts are usually better educated and tend to be social innovators.

Retail—Although comprehensive evidence is not available, the following list is an inventory of retail outlets that have shown a high degree of craft product acceptance:

- Specialty craft shops in tourist and metropolitan areas
- Better department stores
- Interior decorators
- Airport gift shops
- Museum gift shops
- Art and art supply shops
- Ski shops
- Craft fairs
- Craft catalogs
- Motels and hotels
- Cruise shops
- Ethnic shops

Except for craft fairs and craft catalogs there seem to be adequate retail outlets in most areas to handle expected craft production. The problem has been to get the quantity of quality crafts to the retail outlets at a reasonable handling cost and to get the retailer to allocate more space for American-produced quality crafts.

Usually a cooperative is able to assemble and market a larger number of crafts more effectively than an individual producer. The cooperative approach should enable craftsmen to attract more buyers and markets requiring larger quantities of crafts than individuals can supply, thus lowering per-unit marketing costs. Also, cooperatives can assist in establishing fair market prices for producer products.

One of the first jobs of a regional federation would be to expand existing markets and develop new outlets where needed. Local cooperatives should be responsible for operating local sales outlets, conducting local craft fairs, and other local retail sales. The federation would perform marketing services beyond the local market.

Catalogs—Several groups have prepared individual catalogs for mail order sale of crafts, but none has been all inclusive. A continuing series of catalogs, in-

cluding both traditional and contemporary designs of high quality, should be developed as a directory of craftsmen and their work. It could be used primarily for retail sales but could also be a tool for contacting all types of buyers.

Wholesale—With the exception of the National Craft Fair held in Bennington, Vt. by the Northeast Regional Assembly of the American Crafts Council and the Southern Highland Handicraft Guild's wholesale warehouse in Ashville, N.C., the craft industry has not developed a systematic regional wholesale system. This is a major handicap in the wholesale craft program today.

Some groups have attempted to overcome this by operating their own wholesale outlets. One craft group uses a booth at regional retail gift shows for wholesale and retail buyers. Another group that specializes in women's wearing apparel and home decoration items has its own wholesale shows in New York. Both of these approaches are effective, but the margin of profit is greatly reduced by such expensive marketing.

A federation of regional cooperatives could develop a wholesale marketing system that would be less expensive through a series of regional craft fairs. All crafts produced in the region would be exhibited in one place for a week. The first 2 days of the fair would be restricted to wholesale and retail buyers. The remainder would be open to the general public for craftsmen to demonstrate and sell their crafts directly. Such occasions would also serve as additional market testing for new product acceptability.

A second wholesale market possibility is a federation booth at major regional retail gift shows.

A third possible wholesale market is the executive gift market. Frequently, firms give their customers or employees distinctive gifts as a reminder of the company. A federation can actively solicit from businesses that want such custom-made crafts.

A fourth opportunity exists with fund-raising

groups. A federation could develop a wholesale clientele among well-organized groups to sell crafts as their money-making project.

Assembly and Distribution

Because crafts are produced independently, many times in isolated areas, this aspect of any craft marketing system is one of the most difficult.

During the initial phase of a marketing plan, a federation field staff should collect crafts to be market tested for basic standards of quality, price, production capabilities, and hourly return to the producer.

The initial selection of any craft should be based on the ability of individual groups, or several groups of a federation working cooperatively, to produce the craft in quantity. The federation staff should then assemble selected crafts in a central location to be judged by a standards committee. Crafts selected by this committee should then be market tested as outlined earlier.

After determining what products will be marketed, the second production phase for specific selected markets should begin. This will require local and regional assembly points. Local assembly points should be operated by the local cooperative under the direction of the federation. Regional assembly points should be located and operated by the federation. The regional points should function as wholesale warehouses and shipping points for catalog sales with reserve supplies available from local assembly points.

Contracts

For a craft marketing system to work effectively, locally or in a federation, marketing agreements must be negotiated between the producers and the marketing agent.

A marketing contract states the duty and intent of the producer to deliver a specified amount of craft

items to the marketing agent and the responsibilities of such agent to the producer. The contract binds the marketing agent to accept specified craft items to market to the best of his ability.

In a cooperative arrangement, this contract contains an agreement and plan for members to help fund their marketing association with deductions from gross sales for all necessary association expenses. It also describes how the cooperative must return to its member-producers all proceeds from such craft marketing, less deductions for expenses, capital, and reserves.

A federation should have contracts with local craft groups, who in turn should have contracts with local producers. More details on market contracts are available in "The Cooperative Approach to Crafts," U. S. Department of Agriculture Program Aid 1001.

Publicity and Advertising

Advertising and promotion are the main tools in America today for selling consumer goods for either initial interest or actual demand. A glance at any newspaper or magazine, or a visit to a large consumer outlet, confirms this fact.

A primary role for a federation should be to increase demand for crafts through consumer educational programs. Several of the larger magazines and newspapers have shown an interest in promoting contemporary native American crafts as part of their educational policy. For example, *House Beautiful* published a 26-page comprehensive review entitled "The Crafts of the Indians" in June 1971. This national promotion graphically covered the visual impact of the richly varied aesthetic accomplishments and the numerous individual creative developments of contemporary native American Indian artists and craftsmen.

The Indian Arts and Crafts Board of the U.S. Department of Interior promoted this article. This is an

excellent example of how the public can be made aware of crafts and thus create consumer demands through a coordinated approach.

Advertising nationally or regionally is extremely expensive. Few craftsmen or small craft groups can afford to pay the cost (\$35,000 plus) for a single page ad in a national magazine. And if they could, how could they expect to fill the anticipated orders? Only through a cooperative federation approach could such an ad be effective.

It is important that a federation understand how to use advertising. Timing is perhaps the most important factor. If a piece of advertising is premature, it most often constitutes an opportunity wasted.

A federation should be the primary advertising agency for regional crafts. It should concentrate on timing advertising at the right locations and through the proper media. Its goal should be to get existing craft retailers to allocate larger amounts of store space, advertising, and promotion budgets to crafts and to get new outlets to handle crafts as a major product line.

The federation also should be responsible for conducting public relations, advertising, and promotion efforts for crafts through monthly newsletters, news releases, and other media promotion.

Design Assistance Programs

Good design of craft products is necessary to upgrade the craft industry. Not only does good design determine where and how a product can be marketed, but also the sale price and wages of the craftsmen. Too frequently, considerable skill is used to make a product with poor design to compete with mass-produced souvenirs and curios. With the same skill on a well-designed object, a product with intrinsic beauty and high sales value can be produced.

Due to the variety of craft items, no one person

can be expected to give technical design assistance in all areas. A federation, in conjunction with such agencies as the National Endowment for the Arts, and other members of the Interagency Craft Committee, might establish and coordinate a "talent bank" of qualified design specialists to work on a consulting basis.

First, the design specialists would assist the federation in selecting crafts that are to be market tested. From information gained through market research, the design team would help develop new products and modify existing crafts for further market testing. The consultants would work on a continuing basis on specific needs of cooperative members and on a general basis to develop new craft items and improve existing ones.

Craft Production Training

Effective training programs are essential to the success of a craft group. Lack of growth by most craft groups is often due to failure of groups to train their members to develop those skills necessary to produce quality crafts. After good designs are developed, skills are the most important ingredient to produce marketable crafts.

As with design assistance, the problems and types of training needed by craftsmen vary so greatly it is impossible for one centralized staff to meet all needs. A federation's role should be one of coordinating training resources to fit the needs of local cooperatives and their members. The federation should function as a "clearing house" for trainers, training materials, and as an agent to obtain assistance from Government and private programs for additional craft training.

A list of Federal programs that may be of help to fund craft training programs can be found in the "Catalog of Federal Domestic Assistance" compiled by the Executive Office of The President, Office of Management and Budget. This publication is available at most local Federal Government offices.

Programs that should be considered are:

- Manpower Development and Training Act (MDTA) - Institutional Training Programs (U.S. Department of Labor and U.S. Department of Health, Education, and Welfare).

- On the Job Training (MDTA - OJT U.S. Department of Labor).

- Special Vocational Education (State Vocational Programs and U.S. Department of Health, Education, and Welfare).

- Veterans Educational Assistance (Veterans Administration).

The most successful craft training programs fulfill these criteria:

- Initial training should last long enough to develop craft skills needed to understand a specific craft production technique.

- Trainees should be motivated by the training, not the training allowance.

- The trainee should have a number of production years ahead of him.

- Facilities and equipment should be planned in keeping with the training purpose.

- Instructors should be craftsmen who have successfully produced and marketed their own crafts.

- A follow-up program should be developed and implemented.

Model for Cooperative Structure

A cooperative is a business formed by a group of people to obtain certain services for themselves more effectively or more economically than can be obtained individually. Member-producers of craft cooperatives own, finance, and operate the cooperative business for their mutual benefit.

Cooperatives have long been the organizational device for helping people meet problems beyond their individual capabilities. While the cooperative approach alone does not assure success of any enterprise, it does provide a vehicle for people to bring together the resources needed to overcome many problems. The planning that precedes forming a cooperative also enables organizers to get a more realistic view of their proposed project.

Like the individual proprietorship, partnership, or corporation, a cooperative must operate on a business basis if it is to succeed. Competent planning and man-

agement to carry out the objectives of the cooperative are prime requirements in an effective craft marketing system.

Local Cooperative

Individual craft producers constitute the membership of local craft cooperative associations. The *first* step in setting up a local association is to determine if the proposed project is feasible and if prospective members will support it.

Membership is obtained by purchasing a share of stock, membership certificate, and/or by signing a marketing contract. As the word suggests, the membership resides in the local trading area. It is essentially a neighborhood enterprise, composed of craft producers with similar interests in production and marketing.

Craftsmen own and operate their local cooperative. Crafts are usually delivered to the local associa-

tion's warehouse or offices. Contracts are used to bind the craftsmen with their association.

Services that local associations perform depend on the needs of the producers. The major purpose of the local is to lower costs of handling collective lots of crafts and to obtain price advantage by offering larger lots of crafts to the market than an individual craft producer can supply. The local association also should supply training and other technical assistance that the local producers need for craft production. Services a craft cooperative should provide have been discussed in the preceding sections.

Usually someone from the local community acts as manager. Craft producer-members elect a board of directors. Members finance the association, assisted at times by loans and/or grants from credit institutions. Local cooperatives are autonomous and can be affiliated with a regional organization to market their members' products and obtain technical assistance in production and design.

The strength of a local cooperative rests largely on these points: (1) Members know each other; (2) all have the same marketing and production problems that create a unity of interest; (3) the business is usually easily understood and conducted by the craftsmen; (4) members usually have confidence in the local manager who knows them and meets with them regularly; (5) it is an effective medium for extending marketing and production information to the members; and (6) the association is the basis for establishing a federated organization.

The weakness of a local association is its inability to perform marketing services beyond the local market—only the first step in the marketing channel. Its influence is restricted because of limited bargaining power. Unless it is assisted by other local cooperatives in a regional association, it cannot cope with details in the larger markets.

Regional Cooperative

A regional craft cooperative can have a centralized, federated, or mixed structure, depending on the type of membership (Fig. 2). The centralized association is an elaboration of the local. The difference is that its individual members come from a much broader area. Functionally, the centralized association has much in common with the federation but differs in that its members are individuals rather than associations. A regional with mixed structure means that membership consists of both individuals and local cooperatives.

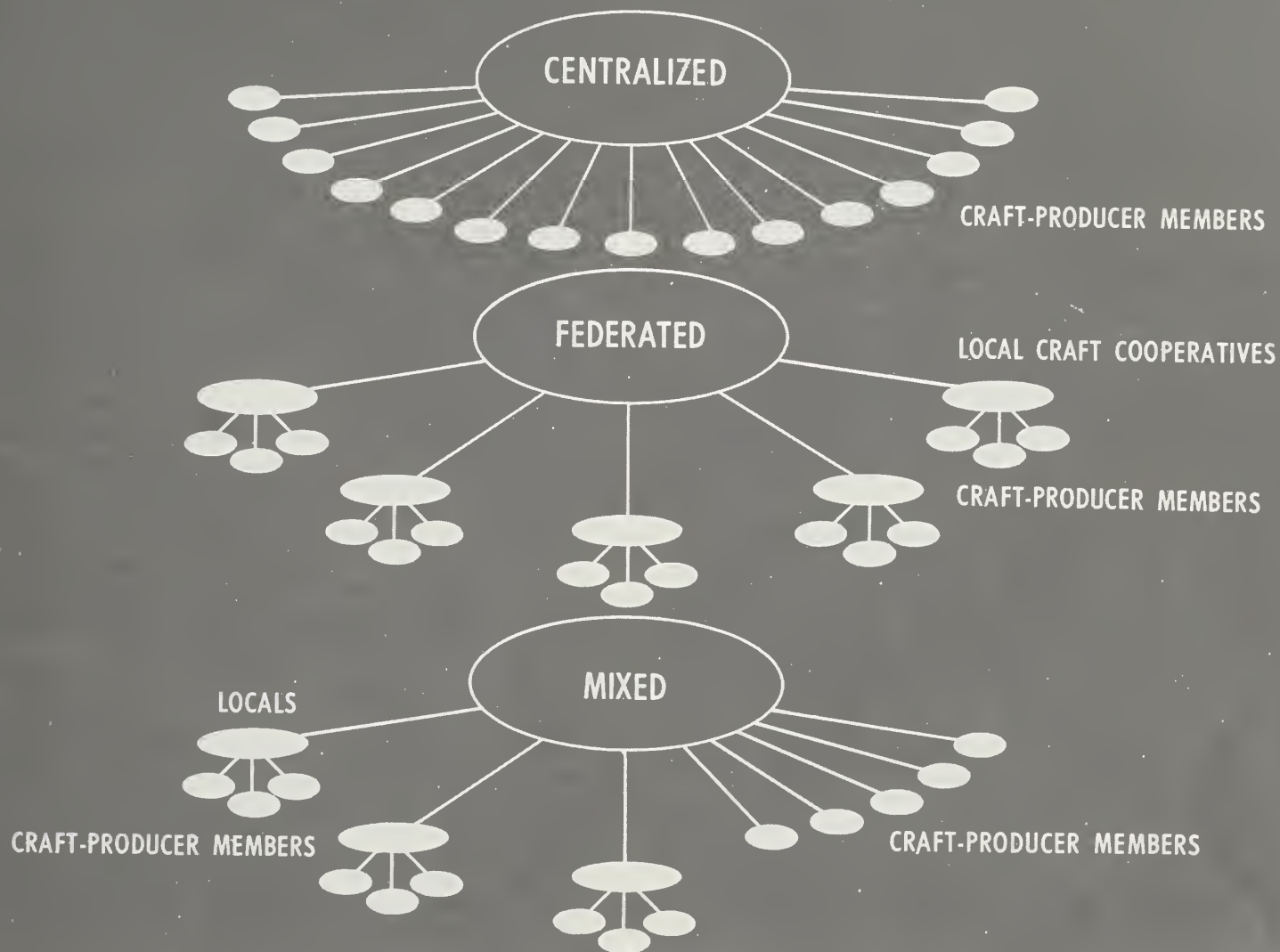
A federated regional, in effect, is a cooperative of cooperatives. Control rests with the local associations, which are in turn controlled by the individuals who are the chief beneficiaries from both local and regional operations.

The federated approach seems best suited for the craft industry because it can best serve the diverse needs of the local associations and preserve the autonomy of the locals.

Because of the large scale of a federation, it can vertically integrate craft marketing channels and provide technical assistance better than a local association. It can provide such services as selling, advertising, merchandising, pricing, transportation, financing, assembly, handling supplies, quality improvement and control, training, orderly flow of crafts to markets, production adjustment, production and market research, and many others.

The major attributes of a federation are: (1) Its democratic form of control; (2) the authority, control, interest, and responsibility of members; (3) the ground-up structure recognizing the importance of self-governing local associations; (4) benefits it renders in better marketing services and working through established dealers; and (5) its ability to get members technical assistance in design, production, and management.

Fig. 2 - Structures for a Regional Craft Cooperative



Weaknesses of a federation are: (1) Often difficult to organize; (2) major operating changes take a relatively long time to put into effect; and (3) communication among the federation, local cooperatives, and craftsmen-members requires constant supervision.

Organizing a federation takes only a few local craft cooperatives. Often these local associations have tried to work together informally in the past because of mutual problems. If such groups think a federation can help solve their common problems, they may get other local associations with similar interests to meet with them.

At the first meeting a federation steering committee should be elected. This committee should contact advisers familiar with forming a cooperative federation to assist them in judging if the proposed federation is likely to be successful and beneficial to its members. If the proposal passes this test, the committee and advisers must then work out a specific, detailed organizational plan for the new federation. The plan should be sent to all locals that are prospective members.

After they have had time to review the findings and plans of the steering committee, a second meeting should be called. If potential members want certain provisions changed, the discussion and voting should be continued until all changes are agreed upon. When all recommendations are considered and approved, the plan becomes a blue-print for organizing the federation.

Next, members should elect an organizing committee to: (1) Register the required number of incorporating members; (2) obtain sources of financing; (3) draft legal organization papers; (4) prepare first drafts of the articles of incorporation and bylaws; and (5) arrange the first meeting of the organizing members. More details about organizing craft cooperatives are available in FCS Educational Circular 18, "How To

Start A Cooperative," and Program Aid No. 1001, "The Cooperative Approach to Crafts."

After the organizing committee has completed its work, the first meeting of the organizing members should be held to vote on all actions of the committee and to elect a board of directors for the federation. The board of directors should be structured as detailed in the bylaws section of FCS Information 66, "Legal Phases of Farmer Cooperatives—Sample Legal Documents," Farmer Cooperative Service. The federation is now in power and ready to function.

Management Responsibilities

The failure of craftsmen and their associations to understand the demands of good management skills has affected both production and marketing efforts. A contributing factor has been the lack of management training for craftsmen in the early stages of program development.

Management functions that must be performed by local craft cooperatives are usually too extensive to be adequately handled by their own staffs. A federation should be responsible for developing programs to assist the local cooperatives.

The ingredient for successful management of both local and federated craft cooperatives is effective teamwork of all three parts of the management team—members, board, and hired management.

Members are the foundation of the cooperative structure. Their needs are the reason for the cooperative's existence. Through patronage and capital investment, members keep the association economically healthy. They have a greater management responsibility that differs from stockholders in ordinary business corporations because they equally share ownership and control the cooperative. Therefore, members should be intimately and personally involved in the affairs of their cooperative and should have a positive role in its management.

Some more important management responsibilities of members are:

- Adopting and amending bylaws and articles of incorporation.
- Approving major changes in operation and substantial income expenditures.
- Electing a competent board of directors.
- Studying issues and keeping the board informed of their desires.

The board of directors must be cooperative members elected to represent all members in certain phases of management. They represent members as users of cooperative services, not as capital investors, a unique feature of cooperative organization. They hold the key position between producer-members and hired management.

The following are some of the management responsibilities of the board of directors:

- Function as trustees and planners
- Determine general policies
- Preserve cooperative character
- Employ a competent manager
- Require accurate accounts and records
- Control the total operation
- Distribute earnings

The board carries out its function by using three procedures:

- Makes original decisions concerning its responsibility
- Confirms decisions made by hired management and board committees
- Reviews reports, programs, and activities of hired management

Hired management in a cooperative includes the

manager as well as other key personnel who are given management functions. However, the manager is the key employed person. Some of his functions include:

- Directing business activities
- Setting long-range goals and making short-range plans
- Organizing and coordinating other employees and activities
- Establishing controls
- Staffing the cooperative

In a federation, local cooperatives retain the responsibility for their management. Areas of management that the federation should assume include:

1. Coordinating management skill training for local and federation management. Farmer Cooperative Service, in conjunction with Extension Service, U.S. Department of Agriculture, and other Government and State agencies, is actively involved in this area of training.

2. Assisting local associations as well as the federation in securing funds for their craft programs. A federation can often get better financing through loans and/or grant that would not be available to individuals.

3. Establishing a central recordkeeping system. The federation can provide clerical and recordkeeping assistance that locals cannot afford. The federation also should keep an inventory of crafts in the area to meet market demands.

4. Assisting local cooperatives in developing long-range plans. These plans should be used in determining needed capital for locals and the federation in carrying out their operations.

Groups that have a long history of successful management practices such as the American Crafts

Council and the Southern Highland Handicraft Guild can offer advice on developing management skills.

Farmer Cooperative Service has other publica-

tions that may be useful to persons interested in applying the cooperative approach to craft enterprises. These are listed on the back of this publication.

Summary and Recommendations

Marketing methods need to be improved if the craft industry is to make an important contribution to rural socio-economic progress. Development of the craft industry is important because of:

- Availability of under-utilized physical and human resources in many rural areas
- Adaptability of craft production to different local circumstances and economic settings
- New and expanding markets for crafts
- Added income potential to individual craftsmen and their communities
- Desirability of preserving the American heritage as expressed through craft and rural arts

A number of private and Government agencies have programs that encourage craft production. However, there is little program coordination between local and regional production and marketing efforts. Present channels of craft marketing are too complex and resources too limited for craftsmen to improve the quality of their crafts without a new craft marketing system being developed.

To help preserve the social and cultural aspects of the craft heritage, we suggest the following steps for developing an effective producer-controlled craft marketing system:

1. Individual producers organize local craft cooperatives.

2. Local craft cooperatives organize regional (federated) craft cooperatives. Local associations would be operated independently but would use a federated cooperative as their agent for marketing and technical assistance.

3. Local craft cooperatives contract with the federated cooperative for marketing crafts and for technical assistance.

4. These cooperatives could be the vehicle for craftsmen to get services they don't presently have but need—in marketing, quality control, design, and training. Strong cooperative associations appear to be the best way to assure craftsmen the assistance they need in building a long-lasting craft industry with adequate economic returns.

National agencies that offer assistance to craft groups are:

- Interagency Craft Committee
c/o Farmer Cooperative Service
U. S. Department of Agriculture
Washington, D. C. 20250
- Indian Arts and Craft Board
U. S. Department of Interior
1951 Constitution Avenue
Washington, D. C. 20242
- American Crafts Council
44 West 53rd Street
New York, New York 10019

Appendix A--Definitions

Some basic terms used in this publication are:

CRAFT (legal definition)—A trade or occupation of the sort requiring skill and training, particularly manual skill combined with the knowledge of the *principles of the art*; also the body of persons pursuing such a calling.

CRAFT INDUSTRY—The composite of all crafts produced for sale.

CRAFTS (HANDCRAFTS)—The whole spectrum of products from the one-of-a-kind handwork to machine-produced items with little handwork.

CRAFTSMAN—One who produces items classed as crafts. (Practices some trade or manual occupation, an artisan.)

DESIGN—The concept of giving purpose and form to a craft. The end product is more important than the technique or production as long as (design-integrity) quality is maintained.

MARKETING SYSTEM—All aspects of getting crafts to the ultimate buyer. It encompasses purchasing raw materials, transforming materials into crafts, researching, advertising, financing, risk bearing, buying, and selling.

QUALITY PRODUCT—Any item, including mass-production items, that is of good design and well-executed. "Design integrity" is used by professional craftsmen to mean good design as it applies to a suitable product made with appropriate materials and tools.

Appendix B--Types of Crafts

In market terms, the variety of products can be classified as follows:

ADAPTATIONS—Many indigenous people and many school-trained craftsmen have taken traditional artifact designs and used them on articles that are not from the indigenous culture, but are often sold as such. Examples are: Tie bars, wall hangings, woodcarvings, bookmarks, and napkin rings.

APPAREL AND HOUSEHOLD ITEMS—Footwear, jackets, sweaters, furniture, eating and cooking utensils, jewelry, baskets, quilts, and musical instruments are objects that could be classed as other product groups but are often thought of separately because of their major uses.

ARTIFACTS—An artifact is an object that was used by indigenous people in their daily lives, including ceremonial and religious occasions. This embraces clothing, tools, toys, weapons utensils, decorative, and purely symbolic objects. There are three types of artifacts: (1) "Authentic artifacts" made and used by indigenous people (very few of these are for sale, generally found in collections); (2) "replica artifacts" are duplicates of authentic artifacts made by modern craftsmen who have usually been trained by older members of the area. They are often made by following the original production methods. These products are more plentiful and are available in most parts of the country; and (3) "imitation artifacts" are crafts that are usually machine-made (occasionally partially hand-made) that are copies of authentic artifacts. Being machine-made,

they are usually inexpensive and are sold as souvenirs to the unsophisticated (typical) souvenir buyer. Many of these articles are poor in quality and now usually come from foreign suppliers.

CREATIVE CRAFTS—Products of an individual's self-expression and creativity. They can be one-of-a-kind or reproduced in mass. Many artist-craftsmen and designer-craftsmen create their own designs.

Appendix C--Purchasers of Crafts

In the craft trade, consumer of crafts is often used when referring to those persons buying craft objects. In this report no detailed study has been made of past, present, or potential list of patrons of crafts. The following list describes some of the major buyers that have shown an interest in the past:

COLLECTORS—Institutional and individual collectors worldwide form a small but significant group of buyers. They patronize all types of establishments where crafts are sold. Many have agreements with retailers, such as museum gift shops, to buy specific objects for them. Collectors often acquire the best examples of crafts before they are available to other consumers.

DISCRIMINATING BUYERS—Those who want something different and are willing to pay for original

items for home decorating. This consumer usually is classed as high-income and patronizes better department stores, interior decorators, and art supply shops to acquire such products.

INDIGENOUS POPULATION—Those who live near craftsmen as well as those who order from catalogs from distant markets are potential buyers. This is especially true for wearing apparel, decorative articles, and gifts.

TOURISTS—Vacation travelers form the basis of local craft markets. They patronize speciality craft shops in State and Federal Parks, University gift shops, private tourist attractions, hotels, motels, airports, and ski shops. In rural areas tourists flock to craft fairs, where they can watch crafts being produced and buy directly from the craftsmen.

Other Publications Available

More detailed information on particular steps in the cooperative-forming process is contained in other publications of the Farmer Cooperative Service. Single copies of the publications listed below may be obtained by writing Publications, Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D. C. 20250.

Cooperatives in the American Private Enterprise System—Educational Aid 5. C. H. Kirkman, Jr.

Cooperatives—Distinctive Business Corporations—FCS Information 65. C. H. Kirkman, Jr.

Co-ops—A Tool to Improve and Market Crafts—Reprint 363 from News for Farmer Cooperatives.

Sample Legal Documents: Legal Phases of Farmer Cooperatives—FCS Information 66.

What Are Cooperatives—FCS Information 67. C. H. Kirkman, Jr.

Manager Holds an Important Key to Co-op Success—FCS Information 74. C. H. Kirkman, Jr.

Members Make Co-ops Go—FCS Information 72. C. H. Kirkman, Jr.

Is There a Co-op In Your Future—FCS Information 81. C. H. Kirkman, Jr.

How to Start a Cooperative—Educational Circular 18. Irwin W. Rust.

Improving Management of Farmer Cooperatives—General Report 120. Milton L. Manuel.

The Cooperative Approach to Crafts—Program Aid No. 1001. William R. Seymour.

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Service publishes research and educational materials and issues *News for Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.